

Message Text

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13

ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00

CIEP-01 FRB-03 OMB-01 /055 R

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STR - HWILLIAMS

TREASURY - MCHAVES

EB/TA - O'HERRON

EUR/RPE - ECASEY

AGRICULTURE - CRKEATON

AGRICULTURE - RGOODMAN (SUBS)

USDA - JSTARKEY

AGRICULTURE - BMEEKER/RBELL (SUBS)

----- 062976

R 070005Z FEB 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

INFO USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: SOYBEAN GUIDE PRICE 75/76 MARKETING YEAR

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REF: (A) EC BRUSSELS 0661; (B) EC BRUSSELS 9618 (1974)

-- (C) STATE 246673 (1973)

1. FOR BRUSSELS: USG NOTES COMMISSION PROPOSAL TO INCREASE SOYBEAN GUIDE PRICE 12 PERCENT (REF B) IN SPITE OF DECLINING WORLD SOYBEAN PRICES AND OUTLOOK FOR 1975/76 SOYBEAN PRICES AT GENERALLY LOWER LEVELS THAN DURING CURRENT MARKETING YEAR. ACCORDING USDA, 1975/76 SOYBEAN PRICES MAY AVERAGE SIGNIFICANTLY BELOW 1974/75 MARKETING YEAR. IF THIS HAPPENS, AND CURRENT GUIDE PRICE OF 233.10 U.A. PER MT RAISED 12 PERCENT, EC WOULD BE PAYING SUBSIDIES IN RANGE OF \$50-100 PER MT ON 1975 CROP. AS INDICATED PARA. 1, REF C, LARGE EC SUBSIDIES COULD VIOLATE US GATT BINDING AND LEAD TO DAMAGING TRADE DISPUTE.

2. IN VIEW OF ABOVE MISSION REQUESTED TO REVIEW WITH COMMISSION OFFICIALS (INCLUDING SCHIRATTI) IMPLICATIONS OF 1975-76 GUIDE PRICE FOR US/EC TRADE RELATIONS, AS WELL AS FOR LEVEL OF EC FARM SUBSIDY EXPENDITURES. SPECIFICALLY, MISSION SHOULD INDICATE :

--(1) USG CONTINUES TO BE CONCERNED OVER POSSIBLE IMPAIRMENT

OF GATT BINDING ON SOYBEANS DUE TO HIGH POTENTIAL EC PRODUCTION SUBSIDIES;

-- (2) TO PRECLUDE THIS US URGES THAT NEW SOYBEAN GUIDE PRICE BE SET CONSISTENT WITH EXPECTED WORLD PRICES. (MISSION SHOULD POINT OUT THAT RELATIVELY STRONG SOYBEAN PRICES THIS YEAR DUE PRIMARILY TO TEMPORARY WORLD VEGETABLE OIL SHORTAGE AND UNEXPECTEDLY REDUCED US SOYBEAN CROP DUE TO WEATHER AND LOWEST AVERAGE YIELD IN TEN YEARS. BASED ON CURRENT PLANTING INTENTIONS OF FARMERS 1975/76 US SOYBEAN CROP EXPECTED TO BE NEAR RECORD. GENERAL IMPROVEMENT IN WORLD OILSEED SUPPLIES, PARTICULARLY SOYBEANS, AND INDICATION OF SOME WEAKENING IN DEMAND, INDICATE LIKELIHOOD OF FURTHER REBUILDING OF US STOCKS AND RETURN TO RELATIVELY STABLE WORLD SOYBEAN PRICES FOR 1975/76.)

3. MISSION ALSO REQUESTED TO SEEK CLARIFICATION FROM LIMITED OFFICIAL USE

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COMMISSION OFFICIALS OF METHOD OF CALCULATION OF AVERAGE 1974/75 WORLD SOYBEAN PRICE (PARA. 1, REF A). FYI - WE NOTE THAT 233.98 U.A. PRICE IS SUBSTANTIALLY ABOVE AVERAGE ROTTERDAM PRICE DURING PAST 3 MONTHS. END FYI. WE ESPECIALLY INTERESTED IN LEARNING WHAT DOLLAR/U.A. CONVERSION RATE USED IN CALCULATION SINCE THIS COULD HAVE SIGNIFICANT BEARING ON RESULT.

4. FOR ACTION POSTS OTHER THAN BRUSSELS. YOU SHOULD
DRAW ON ABOVE AS APPROPRIATE IN POINTING OUT TO HOST
GOVERNMENTS US CONCERN OVER IMPLICATIONS OF LEVEL OF
1975/76 SOYBEAN GUIDE PRICE.

5. REQUEST REPORT OF REACTIONS TO REPRESENTATIONS. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, SUBSIDIES, SOYBEANS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE028001
Document Source: CORE
Document Unique ID: 00
Drafter: RSSIMPSON:USDA:GWANAMAKER:JS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750045-0182
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750262/aaaacdlc.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 0661, 75 EC BRUSSELS 9618, 75 (197
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by KelleyW0>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOYBEAN GUIDE PRICE 75/76 MARKETING YEAR LIMITED OFFICIAL USE
TAGS: EAGR, EEC
To: EC BRUSSELS MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006